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Consumer mood is slightly less pessimistic

In October 2006, the Consumer Confidence Index (CCI) stood at 91.2 in Ukraine. This is 3.7 points above the value registered during the previous poll in September and 6.3 points above where it bottomed in June 2006.

An increase in this index points to an improvement in consumer confidence among Ukrainians. However, the consumer mood in Ukraine remains mainly pessimistic, since the CCI value is below the 100-mark

Consumer confidence has improved mainly thanks to an increase in optimistic economic expectations among Ukrainians. From September to October, the Index of Economic Expectations (IEE) grew 4.2 points, to 87.5. Despite this improvement, since June 2006, economic expectations continue to be extremely pessimistic—at record-low levels since 2000.

In October 2006, the poll registered an increase in the propensity to consume for the first time since April 2006. This index x5 grew 6.6 points, to 106.3. An index value that is above the 100-mark shows that the majority of Ukrainians think that now is generally a good time to purchase durable goods.

Inflationary expectations continue to be high. In October, the Index of Inflationary Expectations (IIE) was 185.7, 4.5 points above the value registered in September. Inflationary expectations deteriorated, apparently, because of rapid growth in rates for residential services across all regions. However, current inflationary expectations are about the same as they were in early 2006.

In October, the lowest consumer confidence was registered in Northern Ukraine, where the CCI was 81.7, 9.5 points below the national average. This pessimistic consumer mood was the result of extremely negative economic expectations among residents of northern oblasts: their IEE was 73.9 in October. As in September, optimistic consumer confidence prevails in Southern Ukraine: this CCI was 102.3.

For the first time since December 2005, positive consumer confidence began to prevail in major cities. In October, this CCI was 102.3, 7.5 points above the value registered in September. Compared to smaller settlements, residents of large cities have the lowest inflationary expectations. Their IIE was 180.4 in October.

Consumer confidence improved among better-off Ukrainians and those with average incomes. At the same time, the CCI for Ukrainians with below-average incomes slipped 0.7 points over September–October, to 74.4. Compared to September, there was an increase in the share of poor Ukrainian consumers who said that their financial standing had deteriorated over the last six months. Also, Ukrainians with low incomes grew even more pessimistic regarding the long-term prospects for the country's economy.

Consumer confidence improved among representatives of all age groups. Positive consumer confidence began to prevail among representatives of the youngest age group (15–30) again: their CCI grew 3.6 points from September to October, to 101.2. ■

consumer confidence—a quarterly survey of households and their opinions about the current economic situation and their own financial standing. The Consumer Confidence Index is determined through a random survey of domestic households. The poll involves 1,000 individuals aged 15–59, an age group that represents 61.3% of Ukraine's population and the country's most active consumers. A representative sample is selected by gender and age, also by type and size of settlement. The margin of error is 3.2%.

For additional information about this survey, contact Yevhenia Akhtyrko by telephone at (380-44) 484-4403 or via e-mail at eakhtyrko@icps.kiev.ua. If you would like to receive the **consumer confidence** bulletin, with a detailed quarterly analysis of the CCI in Ukraine, contact our client relations manager Andriy Starynskiy by telephone at (380-44) 484-4410, or via e-mail at marketing@icps.kiev.ua. You can also order ICPS publications through the Centre's website, at <http://www.icps.com.ua/eng/subscribe/>.

By the way...

- As part of the "Socio-Economic Performance and Potential Analysis Capacity" (SEPPAC) project, the third series of workshops and seminars on benchmarking and potential output was held on 20–24 November. ICPS is implementing this project together with the Conference Board of Canada, with financial support from the Canadian International Development Agency (CIDA).
- On 15 November, ICPS economist Borys Bordiuh attended a seminar on regulatory impact analysis (RIA) organized by BIZPRO, a USAID business development project, and Jacobs&Associates, a consultancy.

Coming up!

A roundtable called "The Ukraine–EU Free Trade Agreement: Possible Implications for the Energy Sector" will be held at ICPS at 10:00 on 30 November 2006. ICPS invites representatives of government institutions, businesses and CSOs to participate in a dialog with stakeholders.

This event is part of the "Public Consultations on the EU–Ukraine Free Trade Agreement" project being implemented with the support of the Swedish International Development Agency (SIDA) and the "Local Government and Public Service Reform Initiative" (LGI) program of the Open Society Institute (OSI). The Ministry of Economy is ICPS's local partner in this project.

The venue will take place in the Conference Hall of the International Centre for Policy Studies at vul. Pymonenka 13A (entrance off vul. Studentska) in Kyiv. To participate in this discussion, contact Project Manager Olha Shumylo by telephone at (380-44) 484-4400 or by e-mail at oshumylo@icps.kiev.ua.

The Black Sea region: Security includes environmental issues

The Black Sea region, because of its geopolitical significance, has attracted considerable interest for many centuries. As a link connecting Europe and Asia in a common geographic and economic area, this region has often found itself the focus of confrontations among major nations and entire empires. Indeed, it continues to play this role today. With no one entirely responsible for the Black Sea, problems and conflicts in the region have a tendency to congeal. ICPS expert Volodymyr Nikitin says that only when the region is treated as a single whole will it be able to offer the conditions needed for sustainable development

Mr. Nikitin suggests that a set of specific programs is needed, including environmental ones. He spoke on "The principle of environmental preference as a regional policy instrument" at the international European Union and the Black Sea Region conference in Varna, Bulgaria, in October 2006.

In a broader sense, the Black Sea region covers countries of the Black Sea basin: its geographical borders are marked by the watersheds of rivers that flow into the Black Sea. This includes the Danube, the Dniester, the Dnipro, the Don, and the Kuban. In the narrower sense, the Black Sea region means those countries along the coast of the Black Sea: Ukraine, Moldova, Romania, Bulgaria, Turkey, Georgia, and Russia.

Regional integrity means stability

In the 21st century, the Black Sea region continues to be a conflict zone rather than a zone of stability. Although numerous regional projects and organizations are trying to cope with the problems in this region, there is no consolidated Black Sea regional policy. In bilateral relations among neighbors located in the Black Sea region, private problems are being resolved fairly successfully. But a "bigger picture" of the region is still missing.

In a situation where no one country is entirely responsible for the Black Sea, problems and conflicts in the Black Sea region have a tendency to remain unresolved. ICPS expert Volodymyr Nikitin says that only when the region is treated as a single whole will it be able to offer the conditions needed for sustainable

wide-ranging multilateral relations. To establish this kind of unity, he suggests that a set of programs is needed, starting with environmental ones.

Ignoring the environment is dangerous for this region

The danger of environmental disasters is quite real in the Black Sea region. The environmental balance was breached long ago and the Azov Sea and the Black Sea grow more and more polluted with every year. Over the last few decades, the sea shelf has been tainted with toxic substances, the coast has been eroding, biodiversity and fish stocks have disappeared, and major recreational resources have been lost. There is a real possibility that a major catastrophe is brewing as the hydrogen sulfide content of the sea continues to rise.

Mr. Nikitin says that the greatest source of environmental danger lies in environment-unfriendly policies on the part of the countries encircling the Black Sea. Projects to develop industry or power generation in this region are assessed, first of all, in terms of economic benefits. This is in contrast to EU countries, where environmental concerns generally take priority.

So far, there is a real contradiction between the declared values of environmental balance and actual steps taken to benefit business interests or the interests of corrupt functionaries and officials in terms of the Black Sea region. As long as this contradiction is not resolved in favor of environmental priorities in evaluating projects, private environmental initiatives will not bring tangible results.

Environmental preference is the first step towards integration

In the EU, environmental policy has formed over decades, starting with the Club of Rome and ending with a comprehensive set of laws and the inculcation of basic environmental rules in the minds of EU citizens, such as their attitude towards waste. For the Black Sea region, there isn't enough time to repeat this process the long way.

A decisive step must be taken now towards adopting the principle of environmental preference in the political and economic decision-making process. Instituting this principle can be started as a pilot project to establish the first conditions for political unity in the Black Sea region.

This political unity can take on various forms—as an EU Neighborhood region or even as an "Eastern European Union" that uses EU practice in instituting European values without setting up regulatory obstacles. An orientation towards European principles rather than a large set of laws and regulations would make it possible for each country to work on making the preservation of the Black Sea part of its own policy.

Think-tanks can establish intellectual integration in the region

The region also needs to be intellectually integrated. According to Mr. Nikitin, think-tanks in this region must take the initiative here. Specifically, the first step should be the development of Green and White Papers that present the problems of the Black Sea region—local conflicts, environmental contradictions and potential catastrophes—and possible solutions. A Green Paper on environmental policy in this region would be a good place to start. ■

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